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E.O. 12958: N/A
TAGS: EAID PREL US ZI
SUBJECT: Zimbabwe's Food Crises Set to Continue in the Face of Bleak Production Prospects for the Coming Agricultural Season

SUMMARY

¶1. As a result of the continuing severe economic decline, particularly in the crippled agricultural sector, the food crisis in Zimbabwe is expected to continue into the 2004/05 marketing year. Projections for Zimbabwe's 2003/2004 agricultural season are bleak, largely due to worsening input supply and financing constraints. All major agricultural sub-sectors are expected to continue their decline, even if the weather is favorable. In addition to the critical foreign and local currency constraints, serious shortages of seed, fertilizer, crop and livestock chemicals, fuel, and agricultural equipment and spare parts all point towards another sub-standard harvest in the 2003/04 season with continuing significant production deficits, food gaps and international assistance requirements. End Summary.

AGRICULTURAL PROJECTIONS

¶2. The United Nations estimates a 20 percent decline in the Zimbabwean economy during the year 2003. This projected contraction is largely attributable to the demise of the commercial agricultural sector -- the mainstay of the country's economy -- through the compulsory acquisition of farmland under the government's disastrous "fast-track" program. As a result, the Commercial Farmers Union (CFU) estimates a further 52 percent contraction in agricultural output (in real terms) from the commercial sector during the 2003/2004 season to approximately 15 percent of its previous historic levels. In addition, farm expropriations continue unabated, suggesting the possibility of an even more dismal performance than that projected here.

¶3. Although "fast-track" has increased the production potential of Zimbabwe's smallholder agricultural sector, the serious input constraints discussed below are expected to prevent this sector from realizing this potential anytime soon and filling the gap left by the demise of the commercial sector.

SEED

¶4. While different sources provide varying estimates of seed availability, all sources indicate a serious shortfall as the planting season approaches. The Zimbabwe Seed Traders Association and "Seed Co" Company estimates range from 21,650 MT to 23,275 MT for hybrid maize seed (excluding possible imports), and 1,500 MT to 4,800 MT for open pollinated maize varieties (OPV) during the 2003/2004 agricultural season. Aggregate maximum estimates for both hybrid and OPV commercial maize seed amount to 28,075 MT, compared to an annual estimated requirement of approximately 50,000 MT. [Note: Although higher seed requirements have been cited, i.e., 60,000 MT, most knowledgeable experts believe that 50,000 MT is the maximum amount of seed that could possibly be planted during the coming season (covering an area of 2 million hectares at a "normal" planting rate of 25 kg/hectare) for the variety of reasons elaborated below. End Note.] This implies an estimated maize seed shortfall of 21,925 MT (40+ percent) for the upcoming agricultural season. Preliminary estimates of seed shortfalls for other crops are: sorghum

(1,350 MT), pearl millet (1,460 MT), finger millet (1,000 MT), sugar beans (2,420MT) and groundnuts (59,900 MT).

¶5. These seed shortfalls are primarily attributable to farm disruptions, which have put many experienced seed producers out of production, insufficient production from novice producers, and a lack of seed carryover stocks from the previous season (including approximately 17,000 MT of seed not accounted for from government's haphazard crop input scheme). At present, approximately 5,000 hectares remain under seed cultivation by 37 experienced producers, down from the 12,000 hectares of seed maize previously cultivated by 84 experienced producers attached to Seed-Co Company, which has an 85 percent market share. In addition, the future of these 37 remaining farmers is uncertain, as farm acquisitions/disruptions continue.

¶6. With the severe forex crisis as well as the difficulties involved in importing suitable seed stocks from other countries, it remains highly unlikely that much of this shortfall will be able to be met this season from either the GOZ or international assistance. According to FAO, a total of 592,558 vulnerable households are targeted to receive international assistance in agriculture for the 2003/2004 season. Planned seed assistance to date includes maize seed sufficient to plant 171,974 hectares (4,300 MT), small grains' seed sufficient to plant 242,374 hectares (2,425 MT), and other crop seeds (e.g., beans, cowpea, groundnuts, vegetables) sufficient for 54,691 hectares (1,683 MT), implying total planned seed assistance to date could cover 469,029 hectares.

¶7. In addition, seed prices have risen beyond affordable levels for most ordinary farmers. According to the new seed prices announced by the Minister of Agriculture on September 17, a kilogram of maize seed that cost ZW$ 192 last year now costs more than ten times that amount (ZW$ 2,100/kg). Access to seed may be further restricted by nationwide shortages of local currency notes to conduct local transactions (although the GOZ's recently issued bearer cheques may alleviate this problem), and increased transport costs.

¶8. This diminished access to seed will force farmers to plant any available seed, including grain from the previous season. Recycling hybrid grain seed leads to regression of the seed material with undesirable results, such as increased susceptibility to diseases and pests, more variable maturity dates and, most significantly, lower crop yields.

FERTILIZER

¶9. The shortage of foreign currency to source inputs and spare parts needed to boost production has led to a severe contraction of the domestic fertilizer industry. About 40 percent of blended fertilizers and about 50 percent of tobacco fertilizers have a direct imported component requiring foreign exchange. The fertilizer industry estimates that the market has shrunk by about 40 percent since the advent of the government's 'fast track' land grab, with a similar estimated current production potential. For example, Sable Chemicals is the sole producer of ammonium nitrate (AN) in Zimbabwe. Under normal circumstances, the company produces 31,000 MT of AN per month; currently, the company is producing about 12,300 MT.

¶10. According to government estimates, national fertilizer requirements are more than one million MT per year. At peak production in the latter half of the 1990s, the industry produced about 520,000 MT of fertilizer. As a result of the capacity constraints noted above, production estimates for the coming season are about 340,000 MT. Accordingly, the UN estimates that there will be a fertilizer gap of approximately 550,000 MT during the 2003/2004 cropping season. As for seeds, these fertilizer shortages will be compounded by prohibitive prices -- the price of AN has increased almost 400% from last year, and the price of Compound D fertilizer has increased almost seven times (from ZW$ 74 to $ 726/kg). These significant price increases will inevitably impact negatively on fertilizer use and crop yields.

TILLAGE

¶11. In the absence of sufficient draught power (decimated by foot and mouth disease and recent droughts), availability of fuel for timely land preparation is vital to the success of the cropping season. In August, government introduced a dual pricing system for fuel. The State-owned National Oil Company of Zimbabwe will continue

to supply petrol and diesel to government departments and public transporters at 8 US cents/liter and 4 US cents/liter, respectively. Whereas certain private companies are now allowed to import and sell their own fuel at prices ranging from US$ 0.30 to US$ 0.35 for both diesel and petrol. It is not clear whether or not the agricultural sector will benefit from the special low prices afforded to the government and public transport sectors.

¶12. As a result of the fuel shortages and price increases, tillage costs have also risen to prohibitive levels for the average smallholder farmer. At a cost of over ZW$ 50,000/hectare, tillage is approximately double what it cost last year. Therefore, even if sufficient farm machinery were available and operational, it will likely remain beyond the financial capacity of most smallholder producers to access. [Note: On September 25, government announced it was tendering for private tillage services to support smallholder (especially resettlement) farmers to prepare for the coming cropping season. No figures were provided for the total budget allotment for this scheme. This is the first (and only) such government support scheme for this season announced to date - see "Production Finance" below. End Note.]

PRODUCTION FINANCE

¶13. The Zimbabwe Farmers Union (ZFU), a body that represents smallholder farmers, estimates that about ZW$ 600 billion is required to support agricultural activities in the forthcoming season. Government has announced plans to raise about ZW$ 100 billion for the agricultural input support program. To date, as the planting season approaches, there is no evidence that anyone has benefited from this fund (with the exception of the tillage scheme noted above), nor are there indications as to when these funds will become available.

¶14. Support from private agri-businesses is also not guaranteed this growing season, following breach of contracts by smallholder farmers last season. For example, Cotton Company of Zimbabwe (COTTCO) lost millions in potential revenue when the farmers to whom the company had advanced seed, fertilizer and chemical credits during the last cropping season by-passed the company and sold their cotton to new cotton companies that invested nothing in the growing of the crop. As a result, COTTCO has since stopped its ZW$ 3 billion input assistance scheme. Farmers will thus find it more difficult to raise the significantly increased amounts of money they need for the forthcoming season. The ensuing cash shortages could result in many farmers being forced to rely on retained seed and low/no-fertilizer and/or tillage practices this season, resulting in reduced crop yields.

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PROJECTED PERFORMANCE OF KEY AGRICULTURAL SECTORS
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¶15. Assuming favorable growing conditions [Note: The Southern Africa Development Community official weather forecast predicts "average" rainfall for most parts of Zimbabwe for the 2003/04 season. End Note.] and optimal seed use and yields, with estimated available commercial and retained seed stocks, Zimbabwe could theoretically produce sufficient maize to approach its national requirements next year (i.e., around 1.5 million MT, as opposed to a national human requirement of about 1.8 million MT). Such a scenario is highly improbable, however, as a result of the many serious input access and affordability constraints noted above. Accordingly, most knowledgeable experts predict a maximum 2003/04 harvest of around 1 million MT (i.e., slightly above last year), leaving a maize deficit on the order of 800,000 MT for the 2004/05 marketing year.

¶16. Traditionally, the large-scale commercial irrigators produced more than 90 percent of the winter wheat crop. Because of the continuing disruptions on commercial farms, it is estimated that total wheat production this season will be only 90,000 MT down by about one third from that produced in the peak 2001 season, leaving a national shortfall of about 250,000 MT for this marketing year (i.e., November 2003 to October 2004).

¶17. Tobacco has traditionally been a major foreign currency earner in Zimbabwe, accounting, on average, for more than 40 percent of the total agricultural export earnings. As a result of the land seizures, commercial production in 2003 is estimated at no more than 80 million kg (from 232 million kg in 2000). Judging from the amount of seed sold and the scale of seed-bed preparation, estimates for tobacco production in 2003/2004 are no more than 15 to 20

million kg. In addition, it is projected that most of the tobacco crop will be rain-fed in the coming season, leading to additional declines in both quality and quantity (and additional losses of critical FX).

¶18. Foot and mouth disease (FMD) is now reported across all provinces of the country, largely due to the unlawful movement of communal cattle across veterinary boundaries as a result of the land reform program. The commercial cattle herd is estimated to be about 150,000 head, down from a pre-1980 peak of about 3 million head. Due to the outbreak of FMD, it seems unlikely that Zimbabwe will be in a position to export beef to Europe in the near future, again severely affecting forex generations.

¶19. Other Crops: Soybean production in 2002/2003 was estimated at about 36,000 MT, a quarter of that produced in ¶2001. The outlook for 2003/2004 is similarly poor, depending largely on how many large-scale growers are permitted to grow a crop in the coming season. Coffee production in 2003 is estimated at 5,500 MT (from a peak of 10,000 MT in 1998), and falling, also due to the continuing eviction of large-scale producers. Declines are also projected in wildlife, pigs and poultry, dairy, barley (21 percent decline over previous year), and horticulture (32 percent decline over the previous year).

CONCLUSION

¶20. Regardless of whether or not good rains fall in Zimbabwe, it appears that the country's food crisis is set to continue for some time to come. Continuing (and increasing) foreign and local currency shortages, that limit the availability of critical agricultural inputs such as seed, fertilizer, farming machinery operations, repair and maintenance, fuel and finance, will result in reduced agricultural output. Although it is still too early to accurately predict this coming season's harvest, all projections point to another sub-standard year, similar to last year's performance, with concomitant significant continuing production deficits, food gaps and international food assistance needs. In addition, continuing contraction of key export products such as tobacco, horticultural products, wildlife and beef will translate into further foreign currency shortages, thus exacerbating input and production constraints (as well as government's ability to respond to the crisis through food imports). Put simply, the country is in a vicious cycle in which deteriorating agricultural production is reducing its ability to supply inputs necessary to achieve any significant improvement in agricultural output. As a result, the food crisis will continue into the 2004/05 marketing year, and quite possibly worsen, in the absence of a genuine effort to address the core political, economic and social problems the country faces in a realistic and constructive manner. The Mission will continue to provide updates on the coming agricultural season when/as new information becomes available. Sullivan